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Local Means in Value Chain Ends: Dynamics of Product and Social Upgrading in Apparel Manufacturing in Guatemala and Colombia

SETH PIPKIN *
Massachusetts Institute of Technology, Cambridge, USA

Summary. — This paper contributes to existing discussions of global value chains (GVC) and industrial upgrading by examining observations from eight months of field research in Guatemala and Colombia, where upgrading firms have their own nationally distinct form of labor relations, despite producing the same products for the same overseas buyers. Analysis of these observations leads to the conclusion that labor relations show significant leeway in relation to upgrading outcomes, and that local history merits more attention as a driver of management strategy. The paper concludes with a discussion of relevant theory and implications for future research.

Key words — global value chains, industrial upgrading, apparel manufacturing, Guatemala, Colombia, Latin America

1. INTRODUCTION

Policy paradigms for development have reached a crossroads. The power of financial globalization to 'eclipse' the power of nation-states has been both asserted and questioned (Berger, 2000; Evans, 1997), while the Washington Consensus seems to have fully fallen out of favor (Held, 2005; Kucszynski & Williamson, 2003; Rodrik, 2006). The search for alternative models is palpable. Such a project may not be accomplishable in a stroke, or even in total, but whatever research is undertaken on development today seems to carry the burden of contributing to a timely, perhaps as yet unknown theoretical paradigm to how to create growth in the developing world.

One literature that grapples with, despite predating, the transition out of the Washington Consensus is known as the global value chains (GVC) approach. This literature has examined development on the micro- and meso-level of firm interactions in production processes distributed across regions and nations. Its focus has generally been on the distribution of power among firms within 'value chains' of internationalized production and how these exchanges impact the developmental outcomes of global capitalist competition, especially in manufacturing. The GVC literature also describes a process of 'upgrading' by which firms participate in higher-value portions of the overall value chain structure. This paper attempts to build on that literature in two ways: first, by adding nuance to its central concept of 'upgrading' and second, by showing how this increased scope for variation may be driven by local politics and institutions.

The case for such conceptual elaboration will be made with the use of field data collected by the author on apparel exporters in Guatemala and Colombia. This data set, which comprises fourteen successful 'upgraded' firms (seven in each country), constitutes a sample representative of the most advanced apparel exporters in Guatemala and Colombia. While these firms often produced the same goods for the same general pool of largely American buyers, they nevertheless achieved their enhanced competitiveness by increasing value added [1] through industrial relations systems that varied significantly on the national level. In Guatemala, upgraders made paternalistic investments in the production workforce beyond all minimum standards to enhance their firms' ability to turn out garments of very subtle design both quickly and in quantity. In Colombia, the same goal was reached by combining Taylorist production floor management with departments of specially hired fashion designers. Whether one works on the production floor in one system or the other implies significantly different impacts, both in terms of skill and distributions of firm-level surplus. Three main factors—foreign trade relations, timing of the apparel export sector's emergence within the context of development agendas, and differing national patterns of socialization of business elites—show distinct promise in accounting for the observed variation. This leads to the suggestion that future research on the developmental impacts of value chain upgrading must take into thorough consideration local appropriations of market signals, particularly in terms of how the attention, priorities, and, therefore, efforts of managers are trained by locally idiosyncratic institutional influences.

To tell this story, a review of the GVC literature will clarify how the findings of this paper suggest 'room to maneuver' in the relationship between a product's value-added and working conditions, as well as how such variability relates in these cases to local history. After this, section three consists of a brief overview of the global dynamics of apparel commodity chains, with attention to Guatemala and Colombia's capabilities and niches within that larger field. Section four details the different forms of upgrading observed through fieldwork in both countries, with a focus on cases of individual firms and the partic-

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ular practices that are constitutive of their 'upgrading.' In section five, differences in historical and institutional variables in the two countries will be discussed to illustrate why local history seems to relate more closely to firms' choices than do the standard explanations of the value chain literature. The final section will consider theoretical as well as practical implications of this research.

2. GLOBAL VALUE CHAINS—RECENT FINDINGS AND THEORETICAL CONSTRAINTS

Having proliferated now for nearly 20 years, work in the global value chains literature applies a flip-side version of Wallerstein's world systems analysis to case studies of the various paths along which commodities travel on their route from raw materials to point of consumption (Bair, 2005; Wallerstein, 1995). That is, following from the prompts of world systems analysis, it focuses on the distribution of power between firms on the same 'commodity' or 'value chain,' usually at the level of local 'clusters' of industrial production, which roughly parallels the French concept of the *filiére* (Raikes, Jensen, & Ponte, 2000). The 'flipping' occurs when, instead of placing developing countries in a largely agency-less scenario of the world system's imposed core-periphery economic hierarchy, GVC authors conceptualize these global production chains as spaces in which actors can savvily jockey for position to achieve varying degrees of success in 'moving up,' or as the literature puts it, 'upgrading.' The overall GVC literature has been ably summarized elsewhere (e.g., Bair, 2005; Humphrey & Schmitz, 2002; Ponte, 2002), but it is worth noting how the approach boils down to a few key elements of analysis.

First, insofar as the GVC literature tackles the phenomenon of globalized production, a key analytical insight is that this "new" division of labor creates new imbalances, risks and opportunities for firms and their employees. As such, this literature presumes that there will be various power asymmetries along the value chain, with the most important and commonly-cited being the dynamic of the "buyer-driven" chain. According to Gereffi, in a 'buyer-driven' value chain,[2] buyers as lead firms will "undertake the functional integration and coordination of internationally dispersed activities" (Gereffi, 1999 p. 41),[3] leading to the conclusion that the key to upgrading is for non-lead firms in developing countries to actively pursue "different kinds of buyer-seller links" (ibid. p.40) whose variety will ostensibly lead to a higher accumulation of firm capacities and thereby competitiveness.

In this general context of asymmetry, "governance" emerges as another concept of primary importance. It is invoked in various ways to describe the rules by which Gereffi's "integration and coordination" take place. Gibbon, Bair, and Ponte (2008) established a typology of approaches to governance, labeling Gereffi's earlier approach to buyer-driven chains a "driving" approach. A second category, called "coordinating," stems from the work of Gereffi *et al.* (2005), which employed transaction cost economics to focus on upgrading as a phenomenon best understood through the lens of commodity characteristics and a dyadic level of analysis. The third category offered is a "normalization" approach, in which the theoretical lenses of French Conventionalism (Boltanski & Thévenot, 2006), an approach to analyzing how mental models of justification govern economic decisions, as well as Foucault's approach to power via "governmentality" as a set of hegemonic assumptions (Foucault, Burchell, Gordon, & Miller, 1991), are seen as the key perspectives on upgrading as an outcome primarily of dominant discourses of scientific expertise, "best practices" and international standards. This distinction is pertinent to this paper particularly insofar as norms and conventions appear to have quite a bit to do with the observed differences in approaches to upgrading, albeit while illustrating how a given GVC governance structure may in fact permit multiple "invoked models of practice" (Gibbon & Ponte, 2008) among its suppliers, provided the lead firm's logistical needs are met.

The processes of "buyer succession" and establishing governance rules are key to the desired outcome from which GVC draws its main claim to relevance to practitioners of economic development: "upgrading." Perhaps because of an inherent difficulty in combining market measures with broader concepts of power, upgrading is generally viewed as the most vexing concept in the literature (see e.g., Dussel Peters, 2008; Morrison *et al.*, 2008). It has been defined by Gereffi as a mix of profitability and capital-/skill-intensity (Gereffi, 1999), by Humphrey and Schmitz as movements or changes in something like a "5 W's" of the commodity (process, product, function, multi-chain) (Humphrey & Schmitz, 2002), and by a variety of others as simply unit price (Gereffi & Korzeniewicz, 1994; Schrank, 2004). Given the ambiguity and lack of consensus in the literature, I will offer a sample of firms that qualify in ways most repeatedly delineated by the literature (non-basic goods, enhanced logistical capacity) as having 'upgraded.'

Regardless of the mechanism at play, GVC research is frequently constrained by the assumption that to upgrade, suppliers without market power must learn directly from their advanced-country buyers. This tendency appears frequently in the individual case studies that populate the GVC literature. Whether in light manufactures and agricultural exports in Latin America and East Asia (Bair & Gereffi, 2001; Gereffi, 1999; Giuliani, Pietrobelli, & Rabellotti, 2005), or surgical instruments in Pakistan (Nadvi & Halder, 2005), the key variable is often the lead firm's guiding hand in upgrading possibilities for developing-country suppliers. Thus even surprising cases of local collective action and innovation tend to appear as reactive, filling in voids left by capricious foreign buyers, as was apparently the case of the Sinos Valley footwear cluster in Brazil (Bazan & Navas-Aleman, 2004).

The literature is not without examples of local contingencies complicating what might be called "buyer/product determinism." A variety of recent publications have made mention of local historical legacies and institutions as influencing upgrading outcomes (Gellert, 2003; Neidik & Gereffi, 2006; Pickles *et al.*, 2006; Rothstein, 2005; Thomsen, 2007). In each case, a locally unique array of interests and resources led to developmental outcomes not predictable by the buyer- or seller-driven tendencies of the particular commodities being produced. Yet these examples have yet to seriously impact the theoretical model of GVC, and reviews of the literature reveal a need for further examination (Bair, 2005, 2008).

Concomitant with the tendency to conflate the back-and-forth of communicating and responding to buyer demand with all value chain activity is the tendency to leave firm-level outcomes and developmental impacts (in terms of impacts on workers) undifferentiated. Yet past research shows that it is not enough to characterize the choice of firms as one between one where workers and employers win and a low road where both lose (Knauss, 1998). Usually, if these issues are mentioned at all, they are noted as a lacuna in the GVC approach (Plankey Videla, 2005). This marks a second contribution of this paper: to contribute to the project of observing differential distributions of benefits from value chains (Kaplinsky, 2001) by connecting workplace